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271-3643

SUBJECT: Discount Health Plans

DATE: April 21, 2004

RELEASE TIME: Immediate

Attorney General Peter W. Heed and Insurance Commissioner Roger A. Sevigny today jointly issued a warning to consumers regarding offers of discount health plans. Commissioner Sevigny stated that the Insurance Department has noticed an increase in potentially misleading or deceptive advertisements of services which at first appear to be health insurance, but in reality are not.

“In a legitimate health insurance program, the insurance company assumes the responsibility to pay for medical procedures that are covered by the plan,” Commissioner Sevigny stated. “These programs are not insurance products because all they offer is the possibility of some sort of a discount. The consumer is still the one who pays the bill. As a result, even someone who purchases one of these products will still be required to pay his or her medical bills,” Sevigny said. “We are beginning to see this type of scam nationwide,” Sevigny went on.

Attorney General Heed said that these products appear to be targeted at people who either have no insurance, or those who are paying high premiums, and that the actual benefits of the products are not clear. Those who appear to be targeted include elderly consumers, small business owners, and some labor union members.

Attorney General Heed and Commissioner Sevigny point out that the advertisements for these products often claim they include no age restrictions, that all preexisting medical conditions are accepted, that there is no limitation on usage, and that the programs will cover virtually any kind of medical treatment, including dental, vision, chiropractic, and others.

“The advertisements for these programs use all the right words to make it sound like you are buying an insurance plan, but you are not,” Attorney General Heed stated. “Remember, if something sounds too good to be true, it probably is not true.”

Attorney General Heed stated “After examining the terms of one of these plans, it became clear that upon subscribing, a consumer receives nothing more than a list purporting to contain the names of medical providers that agree to provide a discount to plan members.” The terms of the agreement, Attorney General Heed said, specifically state that the plan provides absolutely no guarantee that any consumer will actually receive a discount at all.

Commissioner Sevigny pointed out that the providers of these programs routinely require automatic monthly payments, either through a credit card or an automatic transfer from the consumer's checking account number. Attorney General Heed warned that people should be very careful and know to whom they are giving out this type of personal financial information.

Commissioner Sevigny said that the warning signs of this scam include claims of extremely broad coverage, that everyone is eligible to enroll, and the requirement of automatic payment through a credit card or automatic transfer from the consumer's checking account. "If you are considering one of these plans," the Commissioner warned "You should contact the Insurance Department at 271-2261 or the Attorney General's Office at 271-3641 before you sign up. You could find that you may be paying hundreds or thousands of dollars a year for little or no benefit."